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State of Montana

Report to the Legislature

November 1994

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1994

Montana Historical Society

This report contains one recommendation for improvement of the society's operations. The item addressed in this report discusses failure to record state assets.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1993 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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STATE OF MONTANA

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Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

November 1994

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Historical Society for fiscal years 1992-93 and 1993-94. The report contains one recommendation addressing proper recording of assets and one disclosure issue.

The society's written response to the audit recommendation is included in the back of the audit report. We thank the director and the society's staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1994

Montana Historical Society

Audit staff involved in the Montana Historical Society audit included:
Pete Brustkern, Wayne Guazzo, and Tori Hunthausen.

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Appointed and Administrative Officials

Montana Historical Society Board of Trustees

		Term Expires July 1 of
Ward Shanahan, President	Helena	1997
Susan McDaniel, Vice Pres.	Miles City	1999
William M. Holt, Secretary	Lolo	1998
Jean Birch	Great Falls	1996
Ana Brenden	Scobey	1999
John J. Burke	Butte	1995
Jeanne Eder	Dillon	1997
Thomas Foor	Missoula	1998
Jack Hayne	Dupuyer	1995
Anne Hibbard	Helena	1996
Marge King	Winnett	1999
Virginia Lucht	Bigfork	1996
William Mackay	Roscoe	1999
Vickie McCarthy	Billings	1998
Ruby Settle	Wibaux	1997

Montana State Historical Preservation Review Board

		Term Expires October 1 of
Dale Herbort, Chairman	Helena	1995
Dennis Deppmeier	Billings	1996
David Johns	Butte	1995
Kirk Michels	Livingston	1996
Arnold Olson	Helena	1997
Donald A. Wetzel	Harlem	1995
Gloria Weisberber	Missoula	1997
Vacant		
Vacant		

Montana Historical Society

Brian Cockhill, Director
Sharon McCabe, Centralized Services Manager

Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the society's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the society record its interest in the Moss mansion on its financial records. 5

Agency Response: Concur. See page B-3.

Introduction

General

We performed a financial-compliance audit of the Montana Historical Society (society) for fiscal years 1992-93 and 1993-94. The objectives of the audit were to:

1. Make recommendations, if necessary, for improvement in the management and internal controls of the society.
2. Determine if the society complied with applicable laws and regulations.
3. Determine if the society's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1994.
4. Determine the status of prior audit recommendations.

This report contains one recommendation and one disclosure issue to the society. Other areas of concern deemed not to have a significant effect on the successful operations of the society are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed the cost of implementing the recommendation and determined it was not significant.

Background

The Montana Historical Society was established in 1865 by the Territorial Legislature. State law authorized the society to become ". . . an agency of state government for the use, learning, culture, and enjoyment of the citizens of the state and for the acquisition, preservation and protection of historical records, art, archival and museum objects, historical places, sites, and monuments." The society has custody of the historical library, museums, art galleries, and historical places, sites and monuments.

Fifteen trustees, appointed by the Governor with the consent of the Senate, administer the society. The society's director, appointed by the Board of Trustees, handles the immediate direction, management, and control of the society.

Introduction

The society operates the following five programs with total budgeted expenditures of approximately $2.6 and $2.8 million in fiscal year 1992-93 and 1993-94, respectively.

Administration - The administration program provides supervision and coordination for all programs of the society. Activities include public information, accounting and business management, financial reporting, fund raising, and security and building management. The program also provides education and tours for the public. Approximately 82 percent of the administration program is funded with General Fund. The remaining funds are from donations and federal funds.

Library - The library program collects, preserves, and organizes historic records including manuscripts, photographs, and oral history of Montana and the surrounding region. These materials are accessible to the public. Over 90 percent of the library program is funded with General Fund. The remaining funding is from donations, trust funds earmarked for the acquisition of specialized books, and proprietary fund revenues from the sale of copies of photographs and documents.

Museum - The museum program collects, preserves, and interprets art, archeological, and ethnological artifacts representative of Montana and surrounding region history. The program interprets its collections through exhibits and education activities. Approximately 92 percent of the museum program is funded with General Fund. The remaining funding is from donations and the sale of copies of photographs and documents.

Publications - The publications program publishes books under the Montana Historical Society Press and Montana, The Magazine of Western History. It also operates the retail and mail order museum store operation. The program is a proprietary operation, but has General Fund support to subsidize publication of the magazine.

Historic Sites Preservation - This program administers the federal Historic Preservation Act and the state Antiquities Act. Activities include administering federal grants-in-aid for historic preservation, reviewing properties for the National Register of Historic Places, and certifying historic structures and rehabilitation projects for federal tax credits. Approximately 11 percent of this program is funded with General Fund. The remainder is paid with federal funds from the National Park Service.

The Montana Historical Society Foundation, a not-for-profit corporation, exists to solicit funds on behalf of the Montana Historical Society. The society has no fiduciary responsibilities to the foundation.

Prior Audit Recommendations

Prior Audit Recommendations

The previous audit report for the two fiscal years ended June 30, 1992 contained one recommendation regarding controls over merchandise inventory still applicable to the society. The society has partially implemented the recommendation.

Recording Society Assets

Chapter 54, Laws of 1987, required the Department of Revenue, on behalf of the state of Montana, to accept as in-kind payment, for certain inheritance and estate taxes, an ownership interest in the Moss mansion located in Billings. The mansion is considered a site of unique and significant historical interest to the state. The law authorized the society to take title to the property, in the name of the state of Montana, as tenants in common. Accordingly the state is entitled to 61.5 percent ownership interest in the mansion. We estimate the value of the ownership interest to be $163,000.

Upon taking title, the law requires the society to record its ownership interest in the mansion. Also state accounting policy requires the society to record all its property on the accounting records. As of August 22, 1994, the society had not recorded its interest in the property on the state's accounting records. Society personnel indicated the property is not on its accounting records because the state does not own 100 percent. By not recording its ownership interest in the mansion, the society is understating its assets by $163,000.

Recommendation #1

We recommend the society record its interest in the Moss mansion on its financial records.

Disclosure Issue

Non-Expendable Trust Account

This report section discusses an issue which we believe warrants disclosure. Our concern relates to the propriety of financial activity recorded in the acquisition trust account. Effective July 1, 1993, state law established a non-expendable trust account. Section 22-3-114, MCA, requires moneys (principal) deposited into the trust be permanent, non-expendable, and subject to investment by the Montana Board of Investments (BOI). The law requires only the interest earnings of the trust account may be used by the society exclusively for the acquisition of items or collections.

Effective July 1, 1993, the law requires donations in excess of $500 to be placed in the acquisition trust account, unless otherwise provided by the donor. The law also requires funds from the sale of surplus museum artifacts be placed in the trust account.

Society officials indicated the intent of the legislation was for the society to deposit moneys from the sale of surplus museum inventory into the trust account even if received prior to July 1, 1993. As a result, management transferred $29,280 into the trust account from the society's special revenue and expendable trust funds. The society's management intended the money which it transferred into the non-expendable account to become principal.

In April 1994 the Virginia City archives became available for purchase. During their search for funds to purchase the archives management decided to transfer $22,000 out of the non-expendable trust account. Society officials indicated they had no other option. The purchase of the collection was at stake. If the society had not made the purchase when it did, the collection could have been sold to another buyer. In addition, the $22,000 which was used for the purchase was originally received and reserved by the society for the acquisition of collections and artifacts such as this.

Since society management had originally intended the transfers into the non-expendable trust to be principal, but later

transferred $22,000 out to make the purchase, the status of the remaining $7,280 is uncertain. A question remains: Is the $7,280 considered principal in the non-expendable trust or could the Historical Society transfer it out and use it to make a purchase?

Independent Auditor's Report & Agency Financial Schedules

STATE OF MONTANA

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Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Montana Historical Society for each of the two fiscal years ending June 30, 1993 and 1994 as shown on pages A-5 through A-12. The information contained in these financial schedules is the responsibility of the society's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the society's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana Historical Society for the two fiscal years ended June 30, 1993 and 1994, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

August 26, 1994

MONTANA HISTORICAL SOCIETY
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994

	General Fund	Special Revenue Funds	Enterprise Funds	Expendable Trust Funds	Nonexpendable Trust Funds
FUND BALANCE: June 30, 1992	$ 0	$ 240,187	$ 398,996	$364,162	$137,001
ADDITIONS					
Fiscal Year 1992-93					
Budgeted Revenue & Transfers In	2,000	660,970	615,977		
Support From State of Montana	1,251,404				
Cash Transfers In		74,839			
Prior Year Expenditure Adjustments		248			
Nonbudgeted Revenue & Transfers In				14,449	10,447
Fiscal year 1993-94					
Budgeted Revenue & Transfers In	2,000	724,558	659,298		
Support From State of Montana	1,342,874				
Nonbudgeted Revenue & Transfers In		75,000		45,330	10,092
Cash Transfers In		78,890			
Prior Year Expenditure Adjustments		121			
Prior Year Revenue Adjustments			130		
Direct Entries to Fund Balance					7,280
Total Additions	2,598,278	1,614,626	1,275,405	59,779	27,819
REDUCTIONS					
Fiscal Year 1992-93					
Budgeted Expenditures & Transfers Out	1,251,475	780,205	581,274		
Prior Year Expenditure Adjustments	1,929		956		
Nonbudgeted Expenditures & Transfers Out			10,376	5,944	6,123
Nonbudgeted Prior Year Expenditure Adjustments			(4,836)		
Prior Year Revenue Adjustments			147		
Fiscal Year 1993-94					
Budgeted Expenditures & Transfers Out	1,343,281	811,857	642,800		
Prior Year Expenditure Adjustments	1,593				
Direct Entries to Fund Balance		7,619		1,250	
Nonbudgeted Expenditures & Transfers Out			(12,330)	112,440	5,497
Nonbudgeted Prior Year Expenditure Adjustments			(11,233)		
Total Reductions	2,598,278	1,599,681	1,207,154	119,634	11,620
FUND BALANCE: June 30, 1994	$ 0	$ 255,132	$ 467,247	$304,307	$153,200

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994

	Charges For Services	Investment Earnings	Federal Indirect Cost Recoveries	Grants Contracts, Donations & Abatements[1]	Other Financing Sources	Federal[1]	Sale of Documents, Merchandise	Rentals, Leases & Royalties	Total
Fiscal Year 1993-94									
GENERAL FUND									
Estimated Revenue	$ 6,037								$ 6,037
Actual Revenue	2,000								2,000
Collections Over (Under) Estimate	$(4,037)								$ (4,037)
SPECIAL REVENUE FUND									
Estimated Revenue		$ 6,000	$38,818	$163,563	$ 58,942	$ 740,101			$1,007,424
Actual Revenue		0	39,447	152,705	34,453	497,953			724,558
Collections Over (Under) Estimate		$(6,000)	$ 629	$(10,858)	$(24,489)	$(242,148)			$ (282,866)
ENTERPRISE FUNDS									
Estimated Revenue					$ 51,329		$610,000	$1,000	$ 662,329
Actual Revenue					51,329		606,934	1,035	659,298
Collections Over (Under) Estimate					$ 0		$ (3,066)	$ 35	$ (3,031)
Fiscal Year 1992-93									
GENERAL FUND									
Estimated Revenue	$ 4,500								$ 4,500
Actual Revenue	2,000								2,000
Collections Over (Under) Estimate	$(2,500)								$ (2,500)
SPECIAL REVENUE FUND									
Estimated Revenue	$ 3,200		$34,000	$224,700	$13,200	$ 635,707			$ 910,807
Actual Revenue	0		34,807	136,572	7,892	481,699			660,970
Collections Over (Under) Estimate	$(3,200)		$ 807	$(88,128)	$(5,308)	$(154,008)			$ (249,837)
ENTERPRISE FUNDS									
Estimated Revenue					$49,000		$514,000	$ 3,000	$ 566,000
Actual Revenue					51,160		562,817	2,000	615,977
Collections Over (Under) Estimate					$ 2,160		$ 48,817	$(1,000)	$ 49,977

[1] See note 7 on page A-11.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT
BY OBJECT AND FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	Historical Society	Library	Museum	Publications	Historical Sites Preservation	Total
PERSONAL SERVICES						
Salaries	$315,489	$319,646	$171,754	$165,216	$249,379	$1,221,484
Employee Benefits	98,123	89,427	56,797	48,147	65,841	358,335
Total	413,612	409,073	228,551	213,363	315,220	1,579,819
OPERATING EXPENSES						
Other Services	152,450	18,396	16,400	36,857	41,902	266,005
Supplies & Materials	20,758	19,566	21,579	15,906	11,780	89,589
Communications	13,864	6,984	6,690	24,093	16,100	67,731
Travel	9,313	1,511	5,397	7,695	20,602	44,518
Rent	136,223	3,510	1,075	9,962	12,123	162,893
Repair & Maintenance	20,433	11,104	4,704	1,602	5,001	42,844
Other Expenses	9,876	5,556	1,859	7,511	6,628	31,430
Goods Purchased For Resale				277,212		277,212
Total	362,917	66,627	57,704	380,838	114,136	982,222
EQUIPMENT AND INTANGIBLE ASSETS						
Equipment		21,932	1,440	1,500	17,829	42,701
Total		21,932	1,440	1,500	17,829	42,701
GRANTS						
From Federal Sources					141,289	141,289
Total					141,289	141,289
TRANSFERS						
Accounting Entity Transfers				51,329		51,329
Total				51,329		51,329
DEBT SERVICE						
Leases				578		578
Total				578		578
TOTAL PROGRAM EXPENDITURES	$776,529	$497,632	$287,695	$647,608	$588,474	$2,797,938
GENERAL FUND						
Budgeted	$586,778	$438,452	$234,420	$ 51,329	$ 60,481	$1,371,460
Actual	562,134	438,450	231,297	51,329	60,071	1,343,281
Unspent Budget Authority	$ 24,644	$ 2	$ 3,123	$ 0[1]	$ 410	$ 28,179
SPECIAL REVENUE FUND						
Budgeted	$231,298	$ 37,388	$104,522	$ 8,000	$911,934	$1,293,142
Actual	214,395	16,779	52,280	0	528,403	811,857
Unspent Budget Authority	$ 16,903	$ 20,609	$ 52,242	$ 8,000	$383,531[2]	$ 481,285
ENTERPRISE FUNDS						
Budgeted		$ 46,506	$ 4,119	$656,961		$ 707,586
Actual		42,403	4,118	596,279		642,800
Unspent Budget Authority		$ 4,103	$ 1	$ 60,682		$ 64,786

[1] See note 8 on page A-12.
[2] See note 9 on page A-12.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT
BY OBJECT AND FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	Historical Society	Library	Museum	Publications	Historical Sites Preservation	Total
PERSONAL SERVICES						
Salaries	$298,809	$ 330,847	$156,383	$146,877	$233,868	$1,166,784
Employee Benefits	77,631	84,251	41,247	40,270	53,065	296,464
Total	376,440	415,098	197,630	187,147	286,933	1,463,248
OPERATING EXPENSES						
Other Services	124,312	22,321	20,519	49,690	36,740	253,582
Supplies & Materials	8,891	20,937	15,852	6,778	10,485	62,943
Communications	11,597	8,727	5,684	24,914	12,231	63,153
Travel	12,698	8,083	3,204	4,809	18,678	47,472
Rent	134,324	4,315	833	10,127	11,601	161,200
Repair & Maintenance	8,999	8,485	468	1,399	4,530	23,881
Other Expenses	6,200	4,615	2,091	6,060	5,122	24,088
Goods Purchased For Resale				236,792		236,792
Total	307,021	77,483	48,651	340,569	99,387	873,111
EQUIPMENT AND INTANGIBLE ASSETS						
Equipment	7,740	15,988	3,612	15,000	8,234	50,574
Total	7,740	15,988	3,612	15,000	8,234	50,574
GRANTS						
From Federal Sources					174,283	174,283
Total					174,283	174,283
TRANSFERS						
Accounting Entity Transfers				51,160		51,160
Total				51,160		51,160
DEBT SERVICE						
Leases				578		578
Total				578		578
TOTAL PROGRAM EXPENDITURES	$691,201	$ 508,569	$249,893	$594,454	$568,837	$2,612,954
GENERAL FUND						
Budgeted	$510,054	$ 429,212	$214,124	$ 51,160	$ 53,992	$1,258,542
Actual	505,089	428,280	212,954	51,160	53,992	1,251,475
Unspent Budget Authority	$ 4,965	$ 932	$ 1,170	$ 0[1]	$ 0	$ 7,067
SPECIAL REVENUE FUND						
Budgeted	$211,772	$ 49,437	$ 74,591		$937,952	$1,273,752
Actual	186,112	45,914	33,334		514,845	780,205
Unspent Budget Authority	$ 25,660	$ 3,523	$ 41,257		$423,107[2]	$ 493,547
ENTERPRISE FUNDS						
Budgeted		$ 36,116	$ 4,121	$543,473		$ 583,710
Actual		34,375	3,605	543,294		581,274
Unspent Budget Authority		$ 1,741	$ 516	$ 179		$ 2,436

1 See note 8 on page A-12.
2 See note 9 on page A-12.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 1994

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana Historical Society (society) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental and Expendable Trust Funds. In applying the modified accrual basis, the society records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the society incurs the related liability and it is measurable.

State accounting policy also requires the society to record the cost of employees' annual leave and sick leave when used or paid.

The society uses accrual basis accounting for Proprietary and Nonexpendable Trust Funds. Under the accrual basis, as defined by state accounting policy, the society records revenues in the accounting period earned if measurable and records expenses in the period incurred, if measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the society received the services in a subsequent fiscal year; equipment or goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The society uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund. Each of the five society programs record general fund activity.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Society Special Revenue Funds primarily include federal assistance programs and donations.

Proprietary Funds

Enterprise Fund - to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the society finance or recover costs primarily through user charges; or (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate. The society accounts for the publication program (which includes merchandise, magazine, and Historical Society press operations; and, the library and museum photocopies) in the Enterprise Fund.

Fiduciary Funds

Expendable and Non-expendable Trust Funds - to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The society records private donations established as trusts which permit spending of the principal in the Expendable Trust. The society records private donations which permit spending only earnings from investments in the Non-expendable Trust Fund.

2. Annual and Sick Leave

Employees at the society accumulate both annual and sick leave. The society pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in the accompanying financial schedules. In the Proprietary Funds, the increase in annual and 25 percent of the increase in sick leave are recognized as nonbudgeted expenses when the related liability is recorded at year end. The society absorbs expenditures for termination pay in its annual operational costs. At June 30, 1994 the society had a liability of $120,630 and $27,052, in the General Long-Term Debt Account Group and Proprietary Fund, respectively.

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System (PERS). The society's contribution to PERS was $72,076 in fiscal year 1992-93 and $100,208 in fiscal year 1993-94.

4. General Fund Balance

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.

5. Museum Collection

Museum collections at the society include historical, archeological, ethnographic, gun, and the permanent fine arts collections. Library and archive collections consist of books, periodicals, maps, microfiche, photographs, monographs, and manuscripts. The society recorded the estimated value of its collection as of June 30, 1994 at $42,591,667 on its property records.

6. Deferred Revenue

The society collects subscription money for Montana, The Magazine of Western History. As money is collected, it is recorded as deferred revenue. When publications are mailed, revenue is recognized and deferred revenue is reduced by the subscription price of those publications. At June 30, 1994, the society had deferred $100,291 in magazine revenue in the Enterprise Fund. State law allows the society to use deferred revenue received from subscription fees to finance the publication of its magazine.

7. Revenue Estimates

The Schedule of Budgeted Revenue and Transfers In for the Special Revenue Fund shows large estimated revenues in relation to actual revenues for the "Federal" and "Grants, Contracts, Donations, & Abandonments" revenue classifications. Because federal, grant, and donation revenue is difficult to estimate,

society management generally estimates higher, rather than lower, for these types of revenues.

8. General Fund Transfer

The publications program is budgeted for a general fund transfer to pay the cost of two FTE involved in publishing Montana, the Magazine of Western History. The magazine is not self-sustaining and the general fund transfer is to subsidize it's publication.

9. Budget vs. Actual Expenditures

Historical sites preservation program expenditures in the Special Revenue Fund for fiscal years 1992-93 and 1993-94 were less than anticipated because a $175,000 estimated Historical Preservation Fund Jobs Bill grant was not received. In addition the society overestimated a Survey and Planning grant in excess of $175,000.

Agency Response

MONTANA HISTORICAL SOCIETY

225 NORTH ROBERTS STREET • (406) 444-2694 • HELENA, MONTANA 59620-9990

October 19, 1994

Scott Seacat
Legislative Auditor
State Capitol
Room 135
Helena, MT 59620

Dear Mr. Seacat:

The following is our response to the recommendation in the Financial Compliance Audit for the two years ending Fiscal Year 1994.

Recommendation #1

We recommend the Society record its interest in the Moss Mansion on its financial records.

The Society concurs.

The Society did not record the Moss Mansion on the Property Accountability Management System (PAMS) because the Society only owns a percentage of the Mansion. The City of Billings owns the remaining percentage.

Before the end of this fiscal year (FY 1995), the Society will record its ownership interest in the Moss Mansion on the Property Accountability Management System.

Sincerely,

Brian Cockhill

Brian Cockhill
Director

BC/rc